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Saudis reform charities as antiterror measure

WASHINGTON (CNN) -- Saudi Arabia announced Wednesday that it will dissolve all Saudi international charities and fold them into a single government-sponsored entity, in an effort to stop the flow of money to terrorist organizations.

Saudi Foreign Affairs Adviser Adel al-Jubeir said the new group will be subject to strict rules, oversight and regular audits to ensure that donations are not misused.

"We do this in order to ensure that the charity of our citizens goes to those who actually need it and that we know where funds go when they leave Saudi Arabia," al-Jubeir said in Washington.

"Charity is a part of our faith. And charity is noble. And we are very proud of the contributions that Saudi citizens have made over the years to those less needy."

Under the new rules, funded programs will only be able to operate in countries with the approval of the host government. Funding will be paid in increments and no cash will be used.

The new organization, called the Saudi National Entity for Charitable Work Abroad, will be affiliated with the Saudi government, but run by a board of directors. Most of the charities' recipients, including Palestinians and groups in Afghanistan, Kosovo and Bosnia, will continue to receive support, al-Jubeir said.

But charities that support terrorism -- including the Palestinian Martyrs Fund, which compensated families of suicide bombers -- will be dissolved, the official said.

Saudi officials are expected to name other charities that have supported terrorism and will be erased as a result of the changes.

The country also plans to join with the United States in asking the U.N. Security Council to help block assets of the Al-Haramain Islamic Foundation, a senior Saudi official said.

Saudi Arabia ordered the charity to close all its overseas branches last year, saying it supports terrorist groups, including al Qaeda.

The U.S. Treasury Department said the group still operates branches in four countries.

In January, the United States added Al-Haramain's branches in Indonesia, Kenya, Tanzania and Pakistan to its list of groups and people suspected of bankrolling terrorism. The move required U.S. banks to check their records and freeze the group's finances.

If the Security Council agrees to help, U.N. member states would be required to freeze the assets of additional branches of the group, now operating under an alias.

Last year, Saudi Arabia ordered all charities to stop doing business abroad, but a senior Saudi official said many charities did not heed the order, and the Saudi government "couldn't keep track of all the funds going abroad."

"We can't say for sure that money was going to fund terrorism, but we couldn't say it wasn't either," a senior Saudi official said, adding that the Saudi government "has been grappling for some time" over what to do with its international charities.

By folding charities into a single unit, Saudi officials said, tighter controls could be placed on what happens to the money.

Since the attacks of September 11, 2001, Saudi Arabia has taken steps to counteract support for terrorist groups from within the kingdom. Saudi charities have been subject to audits and are no longer permitted to send money outside the country. The country has also banned the collection of cash in mosques and public places.

The Saudi government initiated programs to crack down on terrorists inside the kingdom after deadly attacks in Riyadh in May and November last year.

The United States and Saudi Arabia set up a joint counterterrorism task force in the Saudi capital, composed of law enforcement officials and officials from various agencies in both countries.

CNN's Elise Labott contributed to this report.

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